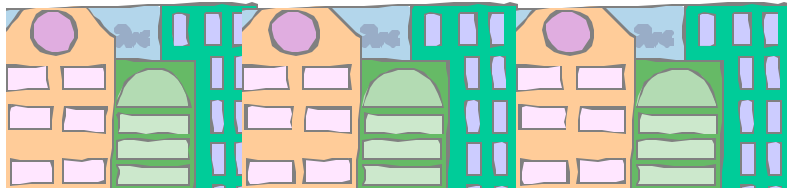


Office of Multifamily Housing Assistance Restructuring



Deal Profile: Large Family, Urban Property with Significant Rehab Needs, Bond Financing, FAF, high pre-payment penalties.

Overview

OMHAR has developed procedures to provide guidance when properties entering Mark-to-Market have existing bond financing and other agreements that must be addressed before a restructure can proceed.

Prior to a discussion of the specific transaction, the presenter will address state agency financed deals in a variety of pre- and post M2M scenarios. Pertinent issues, documents and the mechanics for dealing with bond deals will be outlined and discussed.

Characteristics

This specific transaction involves a 100-unit property, consisting of 2, 3 and 4 Bedroom apartments, built in 1982 in a large, metropolitan area that has a great need for affordable family housing. The property's Rehabilitation Needs were in excess of \$10,000 per unit. Existing bond and FAF regulatory documents needed to be addressed before a M2M restructure could occur. Pre-payment penalties existed of over half a million dollars.

The Solution

The PAE, OMHAR, HUD and the Housing Finance Agency worked together to unwind the existing bond and FAF agreements.

Particulars included:

- Negotiation with HUD and the State Agency on their rights to the FAF savings,
- Negotiation on the pre-payment fees,
- New 223(a)(7) sized to address the rehab needs and fund an appropriate beginning balance in the Reserve for Replacement Account.

The Consequences

This restructure finances rehabilitation needs, covers projected operating expenses and builds a Reserve for Replacement fund that addresses future capital improvement needs. Affordable housing was preserved in a market where it is greatly needed

M2M Bond Deals

2 Scenarios

- Owner does **NOT** want to Restructure debt
- Owner **WANTS** to Restructure debt

Is it a FAF Deal?

- Refunding Agreement
- Owner Aware / Involved?

Documents

- Note/Mortgage, Riders
- Any Modifications (thereto)
- Bond Indenture
- FAF Refunding Agreement (if applicable)
- Section 8 HAP Contract
 - status, type, expiration date

Mechanics / Issues

- Timing
- Prepayment / redemption procedures (e.g. bankruptcy proofing, pre-funded escrows)
- Prepayment penalties
- Defeasance
- Unraveling the FAF